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Before the
FEDERAL COMMUNICATIONS COMMISSION
Washington, D.C. 20554

In the Matter of	)	
	)	CC Docket No. 92-77
Billed Party Preference	)	
for 0+ InterLATA Calls	)	

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- 1 1994
FEDERAL COMMUNICATIONS COMMISSION
OFFICE OF THE SECRETARY

COMMENTS OF SPRINT CORPORATION

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SUMMARY

Sprint welcomes the Commission's strong endorsement of billed party preference in the Further Notice. Billed party preference will focus competition where it belongs: on providing the best possible service to the consumer at the lowest possible price, and will eliminate the incentives that now exist to charge high rates to consumers in order to maximize commission payments to public phone premises owners. Consumers will also benefit from the simplicity of being able to reach their preferred operator service provider by dialing 0+, instead of facing the frustration of using access codes to be sure that they reach their carrier of choice. Billed party preference will likewise put all interexchange carriers on an equal footing with AT&T: all will be able to offer their customers the convenience of 0+ dialing, a convenience that only AT&T can offer today.

The Commission's Further Notice includes a thorough and detailed analysis of the benefits and costs of implementing billed party preference. Sprint predicts that this round of further comments will demonstrate that the quantifiable benefits of billed party preference are even greater in relation to costs than the prior record showed. In particular, Sprint believes the Commission's analysis understates substantially the savings that will accrue to the public from not having to pay the high rates charged by some OSPs, and also understates the savings to the industry from

eliminating premises owner commissions expense. Also, the costs of implementing BPP are coming down. In the case of Sprint's local exchange carriers, the non-recurring expenses are 46% lower than Sprint's October 1993 estimate, and the annual ongoing expenses of BPP will be more than offset by savings in other areas.

At the same time, the Commission's evaluation of the public interest should not be confined to a comparison between the costs of BPP and the readily quantifiable benefits of BPP. Many of the benefits of BPP are difficult to translate into dollars and cents but are nonetheless very important from a pubic interest perspective. The present system has built-in incentives to allow (and even encourage) some OSPs to charge outrageously high prices. Consumers feel victimized when they have to pay these rates and are confused by the complexities of the access code dialing they must use in an attempt to avoid the possibility of being charged such high prices. The Commission is never likely to have sufficient resources to remedy the abuses that now occur. What it can do is to change the incentives to promote the interests and sense of well being of consumers. This, in Sprint's view, constitutes a public benefit that would be paramount even if implementation costs were higher than the quantifiable benefits of billed party preference.

There are a number of implementation issues that must be resolved before BPP can be implemented. First, Sprint believes that independent LECs can and should participate fully in BPP. However, in order to facilitate their participation and avoid unnecessary increases in implementation costs, the Commission should not require deployment of OSS7 signaling to end offices. Such a requirement, in the case of Sprint's LECs, would quintuple the hardware and software implementation expenses with no real benefits to BPP. Instead, deployment of OSS7 signaling at the operator service tandem switches should suffice.

Whether inmate telephones should be excluded from BPP is a difficult issue, but one that should be decided on the basis of implementation costs and control of toll fraud. Assuming the exclusion of prison phones would not materially increase the costs of billed party preference, Sprint would not oppose exclusion of inmate-only phones in view of the unique characteristics of the prison environment. However, if such phones are excluded the exclusion should be conditioned on presubscription of the phones to an OSP whose rates do not exceed those of the dominant carrier. Such a condition is needed to protect the public -- particularly families of inmates -- from the high charges that sometimes prevail today.

Another issue on which the Commission sought further comment was the method of recovering the LECs' implementation costs. While LECs have the right to recover all costs that are in fact attributable to BPP, the Commission does not need to decide upon a cost recovery mechanism at the time it orders implementation of BPP. Instead, the 2-1/2 year period required for implementation would give the Commission more than enough time to consider and resolve that issue.

Other issues concern the method of selection of primary and secondary 0+ PICs. The least costly and least confusing selection method for the primary 0+ PIC is simply to require LECs to notify consumers that they have an option to designate a carrier different than their 1+ carrier for their 0+ calls, and defaulting consumers to their 1+ carrier unless or until the LEC hears to the contrary from the consumer or his or her designated agent. Any form of balloting would not only increase implementation costs substantially, but also would be confusing to many consumers. In order to maximize the competitive opportunities of smaller, regional interexchange carriers, the Commission should allow the primary 0+ PIC to select the secondary carrier, and calls handled by the secondary carrier should be branded in the name of the primary carrier.[1]

Sprint strongly endorses the Commission's conclusion that both IXCs and LECs should have an equal right to issue a line-numbered calling card ("BTN+4" card) for use with billed party preference. This card format is by far the preference of consumers, and there is no reason why any carrier group should have an exclusive right to its use in a BPP environment. Since IXC-issued BTN+4 cards will have to be loaded into the

[1] In order to facilitate such branding, the Commission should make clear that the CIC code must be included in the call record forwarded to the secondary carrier.

LECs' LIDBs for routing and validation, the Commission should impose safeguards to guarantee that IXC-issued cards are treated equally vis-à-vis those issued by the LECs. The Commission should also require "14-digit screening" so that a customer can have 0+ cards in the BTN+4 format from both a LEC and a long distance carrier, and from more than one long distance carrier as well. 14-digit screening will facilitate competition among interexchange carriers and will also avoid constant tug-of-wars between LECs and IXCs as to who has control over the customer's account. The added costs of implementing 14-digit screening, based on information now in the record, appear to be quite modest. If, however, the Commission opts for 10-digit screening instead, it should ensure that IXCs do in fact have an equal right to issue BTN+4 cards and that existing LEC-issued BTN+4 cards are not given any presumptive validity over existing IXC-issued BTN+4 cards.

Through adoption of an appropriately structured program of billed party preference, the Commission can take a major step forward in restoring confidence in the integrity of the communications system to consumers that have been frustrated by high charges and confusing dialing plans for away-from-home calls for the past several years, and can facilitate full and fair competition among long distance carriers. Sprint urges the Commission, at the earliest possible date, to order the implementation of billed party preference.

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COMMENTS OF SPRINT CORPORATION

Sprint Corporation hereby submits its comments in response to the Commission's Further Notice of Proposed Rulemaking in the above-captioned docket (FCC 94-117, released June 6, 1994). In the Further Notice, the Commission reiterated its prior tentative finding, in the NPRM,[1] that a system of billed party preference for 0+ and other operator assisted interLATA calls is in the public interest. The Further Notice included an extensive analysis of the costs and benefits of BPP and found that the public benefits of BPP far outweigh its implementation costs. However, out of a concern that the record was somewhat "stale" in certain respects, the Commission asked interested parties to update the record and to address a number of issues regarding the implementation of billed party preference.

I. INTRODUCTION

Billed party preference is a system for routing away-from-home calls (including calling card, collect calls and calls billed to a third number) automatically to the operator

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[1] 7 FCC Rcd 3027 (1992).

service provider preferred by the billed party -- the party paying for the call[2] -- using simple "0+" or "0-" dialing procedures. Billed party preference would replace the current system in which calls dialed on a "0+" basis are routed to the carrier selected by the owner of the telephone or the premises from which the call is placed.

Most importantly, this change will focus competition where it belongs: on providing the best possible service to the consumer at the lowest possible price. It will eliminate the anomalous economic incentives that exist under the present system of presubscription of public phones, in which OSPs compete for presubscription in large part through the size of the commission payments they can offer to the premises owner or call aggregator (such as a private payphone provider). The current commission-driven system encourages OSPs -- particularly the alternative OSPs that do not have ongoing relationships with consumers -- and private payphone providers that also act as OSPs[3] to charge high rates to consumers in order

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[2] I.e., the calling party in the case of calling card calls, the called party in the case of collect calls, and the party paying for the calls that are billed to a third number.

[3] Today, many (probably most) non-LEC payphones are "smart" payphones that use computer chips built into the phone to perform operator service functions for most types of calls and also record call detail information for rating and billing purposes. In such cases, the private payphone provider is also the OSP. It buys bulk transmission from a long distance carrier (often a multi-location WATS-type product) but sets rates of its own choosing for long distance calls made from the phone and pockets the difference (less a commission payment to the owner of the premises on which the payphone is located).

to finance the level of commission payments necessary to win the favor of the premises owner or aggregator.

Billed party preference also fosters an equality of competitive opportunity among interexchange carriers: it extends the concept of equal access -- now confined to 1+ direct-dialed calls -- to operator assisted calling as well.[4] Until billed party preference is implemented, AT&T is the only carrier that can, as a practical matter, offer its customers the convenience of 0+ dialing for calling card and other operator assisted calls; its overwhelming market share of presubscribed phones (much of which is a carryover from its pre-divestiture monopoly) means that its customers can reach AT&T's operator services from over 70% of all phones by simply dialing 0+. All of AT&T's competitors, because so few phones are presubscribed to them, necessarily must resort to multi-digit access codes -- primarily, 11-digit 800 numbers[5] -- to enable their customers to reach their operator services. This inequality not only makes their calling cards less convenient than AT&T's but also fuels the public's lingering perception that AT&T's

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[4] Sprint is using the terms "operator assisted" and "operator services" broadly to include all types of away-from-home calls (calling card, collect and third-number billed) as well as such calls made from one's residence or business, even though present technology often allows such calls (even collect and third-number-billed calls in many areas) to be completed without the use of "live" operators.

[5] The other two possibilities are the use of a 10XXX code or feature group B 950-XXXX access. 950-XXXX is technically inferior to 800 access; ANI is not provided, it is not compatible with SS7, and it is not available from all locations. 10XXX codes cannot be used in non-equal access areas and continue to be blocked (often unlawfully) at many public phones.

service, in general, is more convenient and easy to use than the service of its competitors, a perception that benefits AT&T in the 1+ residential and business markets.

In the Further Notice, the Commission has undertaken an exceptionally thorough exploration and analysis of the salient issues surrounding billed party preference. Sprint agrees with the major tentative conclusions reached by the Commission. Sprint believes it was prudent for the Commission to seek an updating of the record on the benefits and costs of BPP and additional comments on narrowly focused issues. However, as will be discussed below, Sprint believes that the changes that have occurred since comments were last filed in this docket make the case for implementation of billed party preference even more compelling than the Commission's cost benefit analysis shows it is.

II. THE BENEFITS OF BILLED PARTY PREFERENCE

In the Further Notice, the Commission discussed three principal benefits of billed party preference: (1) simplifying access to the paying party's preferred operator service provider by eliminating the need to use access codes; (2) refocusing competition on end-users rather than on recipients of commissions from public phones (i.e., payphones, hotel room phones, etc.); and (3) facilitating more effective competition in the interexchange market. Sprint believes the Commission's assessment of these benefits and the other benefits also discussed in the Further Notice is sound and correct; indeed, if anything the Commission has substantially understated the dollar value of these benefits.

Before commenting on the benefits of BPP in detail, a preliminary observation about the cost/benefit analysis in the Further Notice is in order. Sprint commends the Commission for its efforts to quantify the dollar value of certain benefits of BPP and to compare those benefits with the implementation costs. Sprint is confident that the updated record in this proceeding will show an even more positive benefit/cost ratio than the roughly 1.5:1 ratio reflected in the analysis in the Further Notice. Nonetheless, Sprint does not believe that the Commission's evaluation of the public interest can or should be confined to consideration of readily quantifiable benefits of BPP. As the Commission has pointed out in the Further Notice, and as will be discussed below, there are many benefits of BPP that are difficult to translate to dollars and cents but which are nonetheless important to a consideration of whether implementation of BPP is in the public interest. The present system has built-in incentives to allow (and even encourage) some OSPs to charge outrageously high prices. Consumers feel every bit as victimized by such charges as they would from theft or fraud, and their feeling of violation may far exceed the amount they are being overcharged. Our society does not (and should not) turn a blind eye to theft or fraud where the costs (e.g., law enforcement and prosecution) outweigh the value of the stolen goods or the fruits of the fraud. By the same token, the Commission should not confine itself to a narrow, dollars-and-cents analysis in determining whether to implement billed party preference.

The Commission does not now, and is never likely to, have sufficient resources to investigate and remedy the abuses that now occur. What it can do is to change the incentives to promote the interests and sense of well-being of consumers rather than foster their abuse.

A. Elimination Of The Need To Use Access Codes To Reach The Billed Party's Preferred Carrier

In ¶10 of the Further Notice, the Commission described the benefits that would accrue to the public by not having to use access codes to reach their preferred carrier. It noted that consumers who now use access codes -- which it estimated to include one-third of all operator service calls in 1991 -- would no longer have to determine whether an access code is needed, would also save the time and trouble of remembering their carrier's access code or having to retrieve the calling card instructions, and would save themselves the extra trouble of dialing the access code. The Commission rejected the notion that the value of this benefit might diminish over time as customers became more comfortable with access codes, finding instead that the likely replacement of 10XXX access codes with 101XXXX access codes in 1995 would add to the confusion and burdens of access code dialing. In making these findings, the Commission rejected the premise of the CompTel Study (see n.18 at ¶10) that BPP provides benefits only to the extent it alters the routing of operator service calls:

> [W]e believe that all consumers would benefit from simplified dialing requirements that guaranteed them access to the billed party's carrier of choice. In addition, consumers would benefit from increased price competition for customer traffic in the operator services marketplace and from the elimination of commissions that inflate OSP cost structures and are presumably reflected in OSP rates.

Sprint concurs fully in the Commission's analysis. Determining whether an access code is needed is not always a simple matter. A survey of public telephones conducted by the Commission in July 1992 -- more than a year after the disclosure rules implementing Section 226 had gone into effect -- found that more than one out of every six phones surveyed did not disclose the name of the presubscribed OSP.[6] Even where the name of the presubscribed OSP is disclosed, the customer still may be uncertain whether an access code is necessary for a particular call. For example, the undersigned has observed signs on payphones that list two long distance carriers each of which, according to the sign, completes calls "where authorized," without providing any indication of the authorized operating area of either OSP. Retrieving (whether from memory or from a card carried in a billfold) the access code adds to the consumer's inconvenience, and having to dial in the extra digits increases both the call set-up time for the consumer and the risk that the consumer will misdial a digit

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[6] See, "Final Report of the Federal Communications Commission Pursuant to the Telephone Operator Consumer Services Improvement Act of 1991," November 13, 1992, at 15 ("Final TOCSIA Report").

and have to start the process over again. Furthermore, access codes simply do not always work. The Commission's July 1992 compliance survey revealed that 800 numbers were blocked 5% of the time (up from 3% in April 1991), 15% of the phones blocked access to 950 numbers, and 19% blocked access to 10XXX codes. Final TOSCIA Report at 16.

There can be little question that consumers desire to use the simplest and most convenient method of access possible, and that they even may be willing to forego substantial savings in return for this simplicity.[7] Perhaps the most powerful and concrete evidence of that fact can be seen by examining the overall market share trends in the long distance market before and after 1+ equal access.[8] Before equal access, the market for directly dialed long distance calls was much like the operator services market today: to use AT&T, consumers merely had to dial the called number (perhaps, but not always, preceded by a "1"). On the other hand, consumers wishing to use a competitive long distance carrier had to dial a 7-digit local number and a multi-digit authorization code be-

[7] Sprint agrees with the Commission that in assessing the benefits to the public of simplified access, it is not sufficient to focus, as the CompTel Study did, on only those calls whose routing would be affected by billed party preference. The logic of the CompTel Study would suggest that 1+ equal access should never have been implemented, since 85% of the pre-equal access traffic was automatically routed to the preferred carrier -- AT&T. Such a narrow framework of analysis improperly assumes that AT&T is entitled to retain in perpetuity the benefits and vestiges of its former monopoly position.

[8] The initial conversions to equal access took place in September 1984 and substantial equal access conversion activity occurred in 1985 and 1986.

fore dialing the number they wished to call. At that time, the rate differential between AT&T and its competitors was substantially greater than it was after equal access.[9] Despite the substantial cost savings offered by AT&T's competitors in the pre-equal-access era, the combined market share (in interstate minutes of use) of all of AT&T's competitors in the third quarter of 1984 -- the beginning of equal access conversion -- was only 15.8%.[10] By the time two-thirds of LEC end offices had been converted to equal access -- the first quarter of 1987[11] -- the market share of AT&T's competitors had nearly doubled to 27.1%, and this share has subsequently grown to roughly 40%.[12] This substantial increase in the market share of AT&T's competitors once the need to dial additional digits had been eliminated -- despite the significant narrowing of rate differentials that occurred after these carriers began paying premium access charges -- is empirical evidence of the public's aversion to using access code dialing to place their calls.

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[9] For example, at year-end 1983, Sprint's rates for a 5-minute call from Boston to Houston ranged from 20% lower than AT&T's (in the daytime period) to 37% below AT&T's (in the evening calling period), and MCI's discounts vis-à-vis AT&T's rates ranged from 20% (daytime) to 34% (evening). FCC, "Statistics of Communications Common Carriers," 1992-93 Ed., p. 297.

[10] FCC Industry Analysis Division, "Long Distance Market Shares, First Quarter, 1994," at 9.

[11] FCC Industry Analysis Division, "Telephone Lines Converted to Equal Access," June 1990, Table 1, Total Industry.

[12] "Long Distance Market Shares, First Quarter, 1994," at 9.

In addition, Sprint has commissioned and conducted extensive market research in recent years directed at the calling card/operator services market segment. This research shows overwhelming preference for the easiest access possible, and for minimizing the number of digits needed to place a calling card (or other operator service) call. For example, Burke Marketing Research performed a study for Sprint in the fall of 1992 in which over 1,100 calling card users of Sprint, AT&T and MCI were interviewed about their long distance calling cards in order to compare customer satisfaction with Sprint's FONCARD with the calling cards of its two major competitors. Much of the material in the Burke Report is highly competitively sensitive, but Sprint is attaching, as Appendix 1, the Introduction and extensive excerpts from the Management Summary of the Report, together with a bar graph showing the access methods used by each carrier's customers.[13] The Burke study showed that AT&T's card received the highest customer satisfaction ratings, with an even greater lead in the important business market,[14] and that AT&T's advantage was primarily linked to "Ease Of Use", particularly "Fewer Digits To Dial" and general "Ease of Access." See, Appendix 1, Burke Study at 6. Similarly, Burke reported that "AT&T achieves significantly higher Happy Customer ratings than both Sprint

[13] The bar graph on p. 13 of the appendix that shows "combined" results refers to results for both business and residential customers.

[14] The heaviest calling card users are business travelers.

and MCI (significant at the 90% [confidence level])." Id., at 7. Later in the summary, Burke reports that: "By far, the most frequently mentioned complaint about both Sprint and MCI related to the "Number Of Digits To Dial" (especially among Business customers). AT&T received relatively few negative comments in this area." Id. at 9, emphasis in original. A follow-up study conducted by Burke in the summer of 1993 showed no statistically significant changes in overall satisfaction of the three carriers' customers since the 1992 study.

The Burke Study in November 1992 confirmed earlier market research showing the importance of minimizing the number of digits to dial as a critically important feature for calling cards. Aware of the importance of this feature to the public, Sprint, in mid-1992, began to publicize its 10XXX code as the primary means of access to its operator services for its calling card customers.[15] Sprint made this change to reduce the number of digits its customers would have to dial, and did so well after AT&T had heavily promoted its 10XXX access code in both print and broadcast advertising. Nonetheless, Sprint's attempt to shorten the dialing pattern for its calling card customers ran into significant problems. A March 1993 study of Sprint FONCARD customers performed by Decision Insight reported low acceptance of the 10XXX code and widespread problems using it. The customers who had been issued new FONCARDs, listing 10XXX as the primary method of access on the

[15] Previously, Sprint relied exclusively on an 800 number for access to its operator services.

back of the card, used that method for less than 20% of their calls, and 59% of customers using 10XXX reported that they always or sometimes have a problem dialing that access code. As a result of these problems, Sprint reverted to displaying its 1-800 access code on its calling cards as the primary access method, and relegated 10XXX to a secondary role. In short, the real-world implementation problems with 10XXX access codes are a significant hurdle to their usability today as an alternative to the much longer 1-800 code.[16] And, given the importance to the public of dialing as few digits as possible -- as exemplified by experience with pre-equal-access long distance service as well as the market research discussed above -- the inconvenience to the public of access code dialing is a clear detriment under the present system.

B. Automatic Routing to the Paying Customer's Preferred Carrier

A corollary to the elimination of the need for access code dialing is that under billed party preference, calls would be routed to the carrier preferred by the customer paying for the call. In ¶11 of the Further Notice, the Commission correctly observed that in the present environment, 0+ calls may be routed to OSPs that charge rates far above those of the full service IXCs, such as Sprint, AT&T and MCI. The Commission properly assumed that under BPP, consumers would not be likely to presubscribe their 0+ calls to an OSP that

[16] Sprint fully concurs in the Commission's forecast that the transition from 10XXX to 101XXXX codes will create even further confusion.

charged high rates, and that such OSPs would have to lower their rates to competitive levels if they wished to retain 0+ traffic. The Commission projected that in 1997, the savings to consumers from not having to pay above-competitive rates would amount to approximately $280 million per year. This estimate was based on several elements, including (n. 24 at ¶11):

- An average charge in 1991 of $.34 per minute for AT&T, MCI and Sprint, and an average of $.53 per minute for third-tier OSPs.
- Total third-tier OSP revenue of $1.2 billion in 1991.
- A 4.3% annual growth rate in total OSP revenues from 1991 to 1997.
- A decrease in market share for third-tier OSPs from 12.7% of away-from-home minutes in 1991 to 8.5% in 1997.

Sprint believes that each of these assumptions is conservative -- i.e., understates the benefits of BPP to consumers.

1. The Assumed Rate Differential is Understated

The Commission's analysis implicitly assumes that the spread between the rates charged by major IXCs and third-tier OSPs will remain constant in the 1991-97 period. However, Sprint believes that the rate differential between the full service IXCs and alternative OSPs may be substantially greater today than it was in 1991. Sprint's own average revenue per minute from operator services in 1991 was 29.1 cents, well below the average used by the Commission for Sprint, AT&T and

MCI in 1991, and it increased only slightly to 30.3 cents in 1993. There is also substantial evidence that the differential between the rates charged by full service carriers and alternative OSPs (including private payphone providers) is substantially greater than the 56% differential reflected in the Commission's analysis.

To begin with, the 56% rate differential used in the Commission's analysis was based on rates for a sample of third tier OSPs that may have understated average third-tier OSP rates in 1991. Several large alternative OSPs (American Network Exchange, Inc., Capital Network Systems, Inc., One Call Communications, Inc., TelTrust, Inc. and U.S. Long Distance, Inc.) were charging rates that were more than twice the level charged by AT&T.[17]

There is also evidence that alternative OSP charges have increased since 1991. Page 6 of U.S. Long Distance Corporation's Form 10-K report for the year ended September 30, 1993 shows that its minutes of use from operator services increased from 31.0 million in fiscal 1991 to 86.5 million in fiscal 1993, while revenues increased at an even faster pace from $17.2 million in 1991 to $63.5 million in 1993. These data

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[17] Based on the highest rates of each carrier for eight sample calls. See, American Network Exchange, Inc., 7 FCC Rcd 163 (CCB, 1991); Capital Network Systems, Inc., 6 FCC Rcd 6707 (CCB, 1991); One Call Communications, Inc., 7 FCC Rcd 200 (CCB, 1991); TelTrust, Inc., 6 FCC Rcd 6670 (CCB, 1991); and U.S. Long Distance, Inc., 6 FCC Rcd 6683 (CCB, 1991). AT&T's highest charges for the sample calls are shown in Final TOCSIA Report, Charts 2A and 2B.

result in a average rate per minute of 55.5 cents for 1991 and 73.4 cents in 1993 -- an increase of 32%.

2. Revenue Growth.

As noted above, the Commission also assumed that revenues would grow at a 4.3% annual rate, based upon growth trends for toll traffic revenues from 1984-1992. More recent data show that during 1991-93, the toll revenues of long distance carriers grew 12.3% over that two year period,[18] which corresponds closely to the overall growth in interstate switched access minutes from 1991 to 1993 of 13.3%.[19] Furthermore, the Commission's assumed revenue growth rate for alternative OSPs fails to take into account the increases in the spread between their rates and those of full service carriers, discussed above. Sprint believes it is reasonable to assume that this revenue growth rate, for the industry as a whole, will continue at the pace of the past two years and does not believe that, given the 6% per year growth from 1991 to 1993, growth rates during the remainder of the period would decline so precipitously as to result in an average of only 4.3% for 1991-97.

3. OSP Market Shares

The Commission's assumption that the market share of alternative OSPs will drop by one-third between 1991 and 1997 is

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[18] "Long Distance Market Shares, First Quarter, 1994", supra, Table 5.

[19] See, "Long Distance Market Shares, First Quarter 1994," Table 1, for 1993 data, and "Long Distance Market Shares, Fourth Quarter, 1993," Table 1, for 1991 data.

likely to be conservative as well. Sprint believes that the number of privately owned payphones may be increasing faster than the number of LEC-owned payphones, and alternative OSPs account for the overwhelming majority of traffic from privately owned payphones. Indeed, as explained earlier, the new "smart" payphones by definition use alternative OSPs. In addition, one major alternative OSP -- U.S. Long Distance -- has reported a substantial growth in volume since 1991 as discussed above. Even if the alternative OSPs' market share were to decline by the proportion predicted by the Commission, it is at least possible that they would seek to increase their rates even further to offset their decline in volume.

For all of the foregoing reasons, Sprint believes the savings to consumers from not having to pay, under billed party preference, the high rates that would otherwise be charged by alternative operator service providers is likely to be far in excess of the $280 million estimated by the Commission for 1997.

C. <u>Re-focusing Of Competition On End Users.</u>

A second major benefit from BPP, discussed in ¶¶12-13 of the Further Notice, is focusing OSP competition on consumers, rather than courting the favor of aggregators and premises owners through payment of high commissions, as the present system encourages.

The Commission correctly observed that OSPs who wish to be successful in a BPP environment would have to lower their prices to competitive levels and provide better service to customers in order to gain their 0+ business. The Commission also pointed out that BPP would eliminate 0+ commissions and thereby result in significant savings to operator service providers. The Commission acknowledged the possibility that some aggregators might seek to recover lost commission payments through direct surcharges or increases in their rates for other goods or services purchased by consumers (though the Commission expressed doubt that that would be the case) but held that even if that were to happen, BPP would nonetheless benefit consumers by generating more efficient pricing -- i.e., by preventing premises owners from using artificially high commissions from operator service calls to cross- subsidize other goods and services.

Sprint fully concurs in the Commission's analysis. The high commission payments and "property imposed fees" (PIFs) which are sometimes imposed along with the charges for the telephone call itself, are a particularly invidious way of pricing services from a public interest point of view. Rather than being confronted with these charges at the time the customer walks up to a payphone or settles his or her bill with a hotel, the customer does not ordinarily become aware of the level of these charges until weeks later when they appear on the telephone bill. The premises owner is thereby not subject to the same level of consumer scrutiny and dissatisfaction as would be the case if the charges were imposed at the time of